PAMUNKEY REGIONAL LIBRARY

FINANCIAL STATEMENTS AND

SUPPLEMENTAL INFORMATION

As of and for the Year Ended June 30, 2022

And Report of Independent Auditor

PAMUNKEY REGIONAL LIBRARY

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JUNE 30, 2022

PAMUNKEY REGIONAL LIBRARY

BOARD OF TRUSTEES

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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Trustees
Pamunkey Regional Library
Hanover, Virginia

Report on the Audit of the Financial Statements

Opinions
We have audited the accompanying financial statements of the governmental activities and the General Fund of the Pamunkey Regional Library (the "Library"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Library, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Library, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The accompanying supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Board of Trustees listing, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
December 11, 2023

The Management's Discussion and Analysis ("MD&A") offers the readers of the Pamunkey Regional Library's (the "Library") financial statements a narrative overview and analysis of the financial activities of the Library, as of and for the fiscal year ended June 30, 2022.

Financial Highlights

In fiscal year 2022, the Library's Commonwealth of Virginia aid award was slightly more than what was received in the previous year at $572,194. The Library's state aid grant changes from year to year, with the two primary factors impacting the amount of the grant being total amount of state aid available, and changes in the Library's local funding.

The Board of Trustees of the Library classified the use of the general fund balance at June 30, 2022 of $2,562,370; $1,962,370 as assigned and $600,000 as committed.

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the Library's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The Library's financial statements present two kinds of statements, each with a different snapshot of the Library's finances. The focus is on both the Library as a whole (government-wide) and the fund financial statements (general fund). The government-wide financial statements provide both short-term and long-term information about the Library's overall financial status. The fund financial statements focus on individual parts of the Library, reporting the Library's operations in more detail than the government-wide financial statements. Both perspectives (government-wide and fund) allow the reader to address the relevant questions, broaden the basis of comparison, and enhance the Library's accountability.

Government-Wide Financial Statements – The government-wide financial statements, similar to those used by private-sector companies, report information about the Library as a whole. One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off financially as a result of the year's activities?". The statement of net Position and the statement of activities, the government-wide financial statements, report information about Library finances as a whole and about its activities in a way that helps answer this question. These financial statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources prepared using the economic resources measurement focus and the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These financial statements include short-term, spendable resources with capital assets and long-term obligations. In the statement of net position and the statement of activities on pages 10 and 11, respectively, reports the Library's activities, which consist of the following: personnel related expenses; books, periodicals, and other related materials; donated administrative services and facilities; utility expense; rent; depreciation; and other operational expenses. Primarily, operating contributions either through local government appropriations, Commonwealth of Virginia aid, or through donations finance most of these Library activities.

Fund Financial Statements – The fund financial statements focus on the Library's general fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate fiscal accountability by using governmental fund financial statements to provide more detailed information about the Library's general fund.

Fund – The Library has one operating fund, which is the general fund, where the focus is on (1) cash and other financial resources that can be readily converted to cash and (2) balances left at year-end that are available for spending. Consequently, the general fund's statements provide a near or short-term view of the Library's finances that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance Library programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in a reconciliation statement of the operating funds that explains the relationship (or differences) between them. The general fund's financial statements can be found on pages 10 through 15 of this annual financial report.

Notes to the Financial Statements – The notes to the financial statements provide additional information that is essential to a full understanding of the financial information provided in the financial statements and can be found on pages 16 through 50 of this annual financial report.

Government-Wide Financial Analysis

Net Position

The following table reflects condensed information on the Library's net position as of June 30, 2022 and 2021:

Summary of Net Position

	Library activities	
	Years ended June 30	
	2022	2021
Current and other assets	$ 2,831,696	$ 2,983,096
Net other postemployment benefits asset	13,761	874
Capital assets	844,115	307,738
Net pension asset	644,203	—
Total assets	4,333,775	3,291,708
Deferred outflows of resources	347,926	427,710
Current and other liabilities	622,677	202,899
Long term liabilities	488,859	895,903
Total liabilities	1,111,536	1,098,802
Deferred inflows of resources	968,353	58,632
Net position:		
Investment in capital assets	355,256	307,738
Restricted for pension	644,203	0
Restricted for other postemployment benefits	13,761	874
Unrestricted for library services	1,588,592	2,253,372
Total net position	$ 2,601,812	$ 2,561,984

As noted earlier, net position may serve over time as a useful indicator of the Library's financial status. In the case of the Library's net position as of June 30, 2022, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $2,601,812 as compared to $2,561,184 as of June 30, 2021. As of June 30, 2022 and 2021, 32.44% or $844,115 and 12.01% or $307,738, respectively, of the Library's net position reflects its net investment in capital assets (e.g., vehicles, furniture and fixtures, and equipment). The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Of the remaining net position balance as of June 30, 2022 and 2021, $1,588,592 and $2,253,372, respectively, are unrestricted and $13,761 and $874, respectively, are restricted for other postemployment benefits.

For the years ended June 30, 2022 and 2021, the Library's total revenues and expenses for the Library's activities are reflected in the following table:

Change in Net Position

	Library activities	
	Years ended June 30	
	2022	2021
Revenues:		
Charges for services	$ 35,492	$ 24,624
Operating contributions	5,128,692	5,227,208
Miscellaneous	33,437	48,357
Total revenues	5,197,621	5,300,189
Expenses:		
Personnel related expenses	3,004,924	3,075,123
Books, periodicals and other related materials	733,565	801,002
Donated administrative services and facilities	524,491	488,567
Utility expense	226,528	210,118
Rent	136,111	150,075
Depreciation and amortization	125,516	29,395
Other operating expenses	406,658	379,596
Total expenses	5,157,793	5,133,876
Increase in net position	39,828	166,313
Net position, beginning of year	2,561,984	2,395,671
Net position, end of year	$ 2,601,812	$ 2,561,984

Revenues

For the year ended June 30, 2022, revenues from all sources totaled $5,197,621 compared with the year ended June 30, 2021, when revenues from all sources were $5,300,189. Operating contributions, including donated services, are the largest component of revenues with $5,128,692 for the year ended June 30, 2022 (approximately 98.68% of the total Library activities revenues) and $5,227,208 for the year ended June 30, 2021 (approximately 98.62% of the total Library activities revenues). For the years ended June 30, 2022 and 2021, the remaining revenues consist mainly of miscellaneous general revenue ($33,437 or 0.64%) and ($48,357 or 0.88%), respectively. Charges for services are the final source of revenue with $35,492 for the year end June 30, 2022 (0.68% of the total Library activities revenue) and $24,624 for the year ended June 30, 2022 (0.50% of the total Library activities revenues).

Expenses

For the year ended June 30, 2022, program expenses for Library activities totaled $5,157,793 compared to $5,133,876 for the year ended June 30, 2021.

Personnel related expenses of $3,004,924 and $3,075,123 for the years ended June 30, 2022 and 2021, respectively, were the largest expenses of Library services, representing 57.30% for the year ended June 30, 2022 and 59.90% for the year ended June 30, 2021. For the year ended June 30, 2022, books, periodicals, and other related materials ($733,565 or 13.99%) was the second largest expense with the third largest expense ($524,491 or 10.00%) being donated administrative services and facilities. For the year ended June 30, 2021, books, periodicals, and other related materials ($801,002 or 15.60%) was the second largest expense with the third largest expense ($488,567 or 9.52%) being donated administrative services and facilities.

Capital assets depreciation and amortization for the year ended June 30, 2022 was $125,516 and for the year ended June 30, 2021 it was $29,395.

Financial Analysis of the Library's General Fund

The focus of the Library's general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Library's financing requirements. In particular, the fund balance may serve as a useful measure of the Library's resources available for spending at the end of the fiscal year.

- At June 30, 2022, the Library's General Fund reported a fund balance of $2,562,370 compared with $2,780,198 at June 30, 2021.
- Assigned fund balance of $1,962,370 is established to be used in future fiscal years for facilities related expenses.
- Committed fun balance of $600,000 is established to used in fiscal year 2023 for facilities.

General Fund Library Revenues and Expenditures

The following table presents a summary of revenues of the Library general fund for the years ended June 30, 2022 and 2021, along with the amount and percentage of increases and decreases in relation to prior year revenues:

	Year ended June 30, 2022	Percent of total	Year ended June 30, 2021	Percent of total	Increase (decrease) from 2021	Percent increase (decrease)
Revenues:						
Fines, penalties and fees	$ 35,492	0.68 %	$ 24,624	0.46 %	$ 10,868	44.14 %
Operating contributions:						
From local governments	4,032,007	77.57	4,023,500	75.91	8,507	0.21
Donated administrative services and facilities	524,491	10.09	488,567	9.22	35,924	7.35
State aid	572,194	11.02	568,060	10.72	4,134	0.73
Federal aid	-	-	147,081	2.78	(147,081)	100.00
Miscellaneous	33,437	0.64	48,357	0.92	(14,920)	(30.85)
Total revenues	$ 5,197,621	100.00 %	$ 5,300,189	100.00 %	$ (102,568)	(1.94) %

Overall, revenues were 1.94% lower than prior year. Miscellaneous revenue for 2022 includes no earned interest or donations which were present in year ending 2021. Donated services for 2022 includes the Library's continued use of Hanover County's financial systems and services. The Library received no federal funding for 2022 which was present in year ending 2021. In year ending 2021, federal funds where available from the Coronavirus Aid, Relief, and Economic Security (CARES) Act (2020). CARES was not present in year ending 2022. Fines, penalties and fees is 44.14% higher in 2022 as library branches begin to see recovery from the global health pandemic due to a novel strain of coronavirus ("COVID-19"). COVID-19 related factors (e.g. Governor's Executive order and local orders) that altered normal library operations in 2021 have relaxed during fiscal year 2022.

The following table presents a summary of expenditures of the general fund for the years ended June 30, 2022 and 2021, along with the amount and percentage of increases and decreases in relation to prior year expenditures:

	Year ended June 30, 2022	Percent of total	Year ended June 30, 2021	Percent of total	Increase (decrease) from 2021	Percent increase (decrease)
Expenditures:						
Personnel related	$ 3,215,061	59.37 %	$ 2,968,750	55.89 %	$ 246,311	8.30 %
Books, periodicals, and other related material	733,565	13.54	801,002	15.07	(67,437)	(8.42)
Donated administrative services and facilities	524,491	9.68	488,567	9.20	35,924	7.35
Utility expense	226,528	4.18	210,118	3.96	16,410	7.81
Rent	136,111	2.51	150,075	2.83	(13,964)	(9.30)
Miscellaneous	579,693	10.70	693,686	13.06	(113,993)	(16.43)
Total expenditures	$ 5,415,449	100.00 %	$ 5,312,198	100.00 %	$ 103,251	1.94 %

Overall, expenditures were 1.94% higher than prior year. Personnel related expenses were the largest increase (8.30%) due to an increase in wages and health insurance. Utility and donated services were the second (7.35%) and the third highest (7.81%) increases in expenditures ending June 30, 2022. Miscellaneous expenditures in 2022 saw the largest decrease in spending (-16.43%). 2021 included $230,000 for renovation of administration space and $85,000 for self-checkout kiosk which were not present in year ending 2022. Rent in 2022 saw a decrease (-9.30%) as Library and its locality continue to move away from leased locations for branches. Book and Materials was the third lowest decrease in expenditures (-8.42%). In 2021, the Library had received materials delayed due to the COVID-19 in 2020, material deliveries returned to pre-pandemic schedules in 2022.

The following table presents a summary of the Library's budgetary highlights for the year ended June 30, 2022, along with the variances as compared to the actual June 30, 2022 revenues and expenditures.

	Original budget	Amended budget	Actual	Variance positive (negative)
Revenues:				
Fines, penalties and fees	$ 25,000	$ 25,000	$ 35,492	$ 10,492
Operating contributions	4,024,225	4,024,225	4,032,007	7,782
State aid	572,194	572,194	572,194	-
Federal Aid	-	240,677	-	(240,677)
Miscellaneous	104,000	54,000	33,437	(20,563)
Donated services	-	-	524,491	524,491
Total	$ 4,725,419	$ 4,916,096	$ 5,197,621	$ 281,525
Expenditures:				
Personnel related	$ 3,488,717	$ 3,438,717	$ 3,215,061	$ 223,656
Books, periodicals and other related materials	666,155	686,155	733,565	(47,410)
Donated services	-	-	524,491	(524,491)
Utility	215,900	216,900	226,528	(9,628)
Rent	162,400	151,400	136,111	15,289
Miscellaneous	416,000	631,677	579,693	51,984
Total	$ 4,949,172	$ 5,124,849	$ 5,415,449	$ (290,600)

Capital Assets
The Library's changes in capital assets, net of accumulated depreciation, for the year ended June 30, 2022 for its Library activities are reflected in the table below:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Vehicles	$ 83,807	$ -	$ -	$ 83,807
Furniture and fixtures	99,800	95,845	-	195,645
Equipment	105,423	65,449	-	170,872
Right to use Assets Equipment	-	34,478	-	34,478
Right to use Assets Buildings	-	454,380	-	454,380
Lease Holder Improvement	230,000	11,741	-	241,741
Total capital assets	519,030	661,893	-	1,180,923
Less accumulated depreciation for:				
Vehicles	(80,704)	(3,102)	-	(83,806)
Furniture and fixtures	(117,703)	(6,051)	17,903	(105,851)
Equipment	(12,885)	(44,749)	-	(57,634)
Right to use Assets Equipment	-	(10,029)	-	(10,029)
Right to use Assets Buildings	-	(51,285)	-	(51,285)
Lease Holder Improvement	-	(28,203)	-	(28,203)
Total accumulated depreciation	(211,292)	(143,419)	17,903	(336,808)
Total capital assets, net	$ 307,738	$ 518,474	$ 17,903	$ 844,115

Additional information on the Library's capital assets can be found in Note 5 of the notes to the financial statements.

Economic Factors and Next Year's Budgets

The Library's long-range plan supports budget requests from the four local governments. The Commonwealth's aid is expected to remain stable. Rising hourly wages due to industry, economic or legislative changes will require the Library to adjust compensation and pay scales to stay competitive and retain talent.

For fiscal year 2023, the Library has requested increases in local government contributions. The Library will be requesting increases in local government contributions for fiscal year 2023 and beyond.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the Library's finances. Should you have any questions about this report or need additional information, please contact the Library Director at Pamunkey Regional Library, P. O. Box 119, Hanover, VA 23069.

PAMUNKEY REGIONAL LIBRARY
STATEMENT OF NET POSITION

YEAR ENDED JUNE 30, 2022

Assets:		
Cash, cash equivalents, and investments	$	2,831,400
Other Receivables		296
Net other postemployment benefits asset		13,761
Net pension asset		644,203
Capital assets, net of accumulated depreciation and amortization		844,115
Total assets		4,333,775
Deferred Outflows of Resources:		
Deferred outflows relating to pension		300,324
Deferred outflows relating to other postemployment benefits		47,602
Total deferred outflows of resources		347,926
Liabilities:		
Accounts payable		120,409
Accured payroll		148,917
Compensated absences		248,182
Lease obligation		488,859
Net other postemployment benefits liability		105,169
Total liabilities		1,111,536
Deferred Inflows of Resources:		
Deferred inflows relating to pension		921,013
Deferred inflows relating to other postemployment benefits		47,340
Total deferred inflows of resources		968,353
Net Position:		
Investment in capital assets		355,256
Restricted for pension		644,203
Restricted for other postemployment benefits		13,761
Unrestricted for Library operations		1,588,592
Total net position	$	2,601,812

PAMUNKEY REGIONAL LIBRARY
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Program expenses:		
Library Operations	$	5,157,792
Total program expenses		5,157,792
Program revenues:		
Charges for services		35,492
Operating grants and contributions:		1,096,685
Total program revenues		1,132,177
Net program loss		(4,025,615)
General revenues:		
Operating contributions from local governments		4,032,007
Miscellaneous		33,436
Total general revenues		4,065,443
Net decrease in net position		39,828
Net position, beginning of year		2,561,984
Net position, end of year	$	2,601,812

See accompanying notes to financial statements.

PAMUNKEY REGIONAL LIBRARY
BALANCE SHEET – GENERAL FUND

YEAR ENDED JUNE 30, 2022

Assets		
Cash, cash equivalents, and investments	$	2,831,400
Receivables		296
Total assets	$	2,831,696
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$	120,409
Accured payroll		148,917
Total liabilities		269,326
Fund balance:		
Committed		600,000
Assigned		1,962,370
Total fund balance		2,562,370
Total liabilities and fund balance	$	2,831,696

See accompanying notes to financial statements.

PAMUNKEY REGIONAL LIBRARY

RECONCILIATION OF THE BALANCE SHEET OF THE GENERAL FUND TO THE STATEMENT OF NET POSITION

YEAR ENDED JUNE 30, 2022

Ending fund balance – General Fund	$	2,562,370
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		
Capital assets, being depreciated:		
		844,115
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the fund:		
Long term lease committments		(488,859)
Compensated absences		(248,182)
Generally accepted accounting principles require the recognition of net pension asset, and deferred inflows, and deferred outlflows of resources related to pensions. These amounts do not use current financial resources and are not reported in the fund.		
Net pension asset		644,203
Pension investment experience		(225,006)
Pension contributions after measurement date		119,462
Difference between expected and actual experience		(668,367)
Change in assumptions		153,222
Generally accepted accounting principles require the recognition of net other postemployment benefits asset, net other postemployment benefits liability, and deferred inflows, and deferred outflows of resources related to other postemployment benefits. These amounts do not use current financial resources and are not reported in the fund.		
Net other postemployment benefits asset		13,761
Net other postemployment benefits liability		(105,169)
OPEB investment experience		(26,392)
Difference between expected and actual experience		4,398
OPEB contributions after measurement date		
GLI and HIC contributions after measurement date		12,837
Change in assumptions		(5,688)
Change in proportion		15,107
Net position of governmental activities	$	2,601,812

See accompanying notes to financial statements.

PAMUNKEY REGIONAL LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BLANCE OF THE GENERAL FUND

YEAR ENDED JUNE 30, 2022

Revenues:		
Fines, penalties and fees	$	35,492
Operating contributions:		
From local governments		4,032,007
Donated administrative services and facilities		524,491
State aid		572,194
Miscellaneous		33,437
Total revenues		5,197,621
Expenditures:		
Personnel related		3,215,061
Books, periodicals and other related materials		733,565
Donated administrative services and facilities		524,491
Utilities		226,528
Rent		136,111
Miscellaneous		579,693
Total expenditures		5,415,449
Net change in fund balance		(217,828)
Fund balance, beginning of year		2,780,198
Fund balance, end of year	$	2,562,370

See accompanying notes to financial statements.

PAMUNKEY REGIONAL LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN THE FUND BALANCE OF THE GENERAL FUND TO STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Net change in fund balance – total General Fund	$	(217,828)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay		173,035
Depreciation expense		(125,516)
Under the modified accrual basis of accounting used in governmental funds, other postemplyment benefit asset is not recognized as a prepaid item. In the statements of activities, it is reported as a reduction to expenses.		0
Under the modified accrual basis of accounting used in governmental funds, expenditures for compenstated absences are not recognized until they are presented for payment. In the statement of activities, they are reported as expenses.		(23,120)
Pension contributions reported as expenditures in the fund statements are reported as deferred outflows of resources on the statement of net position. Pension expenses reported on the statement of activities do not use current financial resources and are not reported in the funds. This adjustment accounts for the net changes in net pension asset and deferred inflows and outflows of resources related to pension.		222,782
Other postemployment benefits (OPEB) contributions reported as expenditures in the fund statements are reported as deferred outflows of resources on the statement of net position. OPEB expenses reported on the statement of activities do not use current financial resources and are not reported in the funds. This adjustment accounts for the net changes in net OPEB asset, net OPEB liability, and deferred inflows and outflows of resources related to OPEB.		10,475
Change in net position	$	39,828

See accompanying notes to financial statements.

Note 1—Summary of significant accounting policies

The Pamunkey Regional Library (the "Library") was organized in 1941 to operate as a regional free library system pursuant to the *Code of Virginia*. The Library provides services to the Counties of Hanover, Goochland, King and Queen, and King William and the Towns of Ashland and West Point under the administration and control of the Board of Trustees (the "Board"). The ten member Board consists of four citizens from the County of Hanover, Virginia (the "County") and two citizens from each of the Counties of Goochland, King and Queen, and King William. The Board of Supervisors from each county appoints the Library Board trustees to four year terms. The Library is not a component unit of the County and, therefore, is not reported in the County's Annual Comprehensive Financial Report as a component unit.

Basis of Presentation

Government-Wide Financial Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities, whether short-term or long-term, of the Library. Governmental activities, which are mainly supported by operating contributions received from various counties, are reported on the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers for overdue books, lost books, and dog tag fees, and 2) Commonwealth of Virginia aid for Library operations. Other items not included among program revenues are reported as general revenues.

Fund Financial Statements – The fund financial statements (balance sheet and statement of revenues, expenditures, and changes in fund balance) of the Library's governmental fund reports the finances of the Library and generally include only short-term information, the most readily available assets and present due liabilities, and just the resources that flow into and out of the Library during the year and shortly thereafter.

Whereas the government-wide financial statements provide an all-encompassing view of all the Library's finances, the fund financial statements provide a narrower look at the Library's current resources as noted above. A reconciliation is provided that explains the reasons that total fund balance in the balance sheet differ from total net position in the government-wide statement of net position. A reconciliation is also provided explaining the differences between the net change in fund balance on the statement of revenues, expenditures, and changes in fund balance and the change in net position on the statement of activities. The differences noted on the reconciliations relate to the fact that the fund financial statements primarily report short-term financial information, whereas the government-wide statements report both short and long-term information.

The Library reports the following major governmental fund:

General Fund – The general fund is the general operating fund of the Library used to account for all of the Library's expendable financial resources and related liabilities.

Note 1—Summary of significant accounting policies (continued)

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Financial Statements – The general fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are measurable and available to pay the liabilities of the current period). For this purpose, the Library considers revenue to be available if it is collected within 90 days after the end of the current fiscal period. Fines, penalties, and fees are recorded as revenue when received in cash because they are generally not measurable until actually received. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for compensated absences, which is recognized when the obligation is expected to be liquidated with expendable available financial resources.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow of resources, liabilities, deferred inflow of resources, and disclosures of commitments and contingencies at the date of the financial statements and the reported amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments – Cash and cash equivalents include cash on hand and a demand deposit account. Cash equivalents are stated at cost, which approximates fair value, and have maturities of less than three months at the time of acquisition.

Capital Assets – Capital assets, which include vehicles, furniture and fixtures, equipment and right to use assets, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than $5,000 and an estimated useful life of more than one year. Such assets are recorded at cost where historical records are available, an estimated historical cost where no historical cost records exist. Donated assets are recorded at acquisition value at the date of donation. Based on this definition, the Library expenses the costs of library books acquired. The leased buildings and equipment associated with the various branches of the Library, which provide services, are not owned by the Library, however are recorded as right to use assets at the amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus certain indirect initial cost.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Note 1—Summary of significant accounting policies (continued)

The Library depreciates or amortizes capital assets using the straight-line method over their estimated useful lives as follows:

Assets	Years
Vehicles	5-10 years
Furniture and Fixtures	10 years
Equipment	5-10 years
Lease Holder Improvements	Term of the Lease
Right to Use	Term of the Lease

Net Position and Fund Balance

Net position in government-wide statements may be classified as net investment in capital assets, restricted or unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through state statute. At June 30, 2022, there was a portion of net position that was restricted.

In the General Fund financial statements, fund balance may be composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The General Fund may classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Library does not have any nonspendable fund balances at June 30, 2022.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. The Library does not have any restricted fund balances at June 30, 2022.

Committed Fund Balance – This classification includes amounts that can only be used for specific purposes imposed by majority vote resolution of the Library Board. Any changes or removal of specific purpose requires majority action by the governing body. At June 30, 2022, the committed fund balance was $600,000. $500,000 is assigned for unanticipated expenses, and $100,000 to pay for leased Library administrative space.

Assigned Fund Balance – This classification includes the portion of fund balance that the Library intends to use for specific purposes and assigned by the Library Board. At June 30, 2022, the assigned fund balance was $1,962,370. $400,000 for future branch capital projects, and $1,562,370 is assigned for future admin center capital project.

Unassigned Fund Balance – This classification includes the portion of the General Fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. At June 30, 2022, the Library had no unassigned fund balance.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Note 1—Summary of significant accounting policies (continued)

Compensated Absences – Library employees will earn vacation and sick leave in varying amounts on a monthly basis, based upon length of service. Annual carry over limitations apply to vacation hours, but not to sick leave. Employees are compensated for unused vacation and sick leave upon separation, retirement, or death based upon years of service and limited to a maximum dollar amount.

Annual leave begins to accrue during the first month of employment, but may not be taken until three months employment has been completed. Employees who terminate prior to completion of three months employment are not entitled to annual leave pay. After the first three months employment, employees are eligible for payment for accrued annual leave upon termination.

Annual leave is accrued at the rate of 1.5 days per month with a maximum accrual of 24 days up to 5 years of service, 1.75 days per month with a maximum accrual of 30 days up to 10 years of service, and 2 days per month with a maximum accrual of 36 days over 10 years of service.

Sick leave is accrued at the rate of 1.25 days for each completed month of employment. There is no limit to the amount of sick leave that may be accrued. At the time of separation, an employee is paid for 25% of any credits exceeding 50 days. Part-time employees who work at least 20 hours each week are entitled to annual and sick leave on a pro rata basis depending on the number of hours worked. Sick leave is accrued under the vesting method which estimates the expected eligibility of all employees to receive termination payments.

Pension Plan – The Library participates in the Virginia Retirement System ("VRS") Political Subdivision Retirement Plan, an agent multiple-employer plan, administered by the VRS. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS agent multiple-employers, and the additions to/deductions from the VRS agent multiple-employer net fiduciary position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Retiree Medical Benefits Plan and Trust – The Library participates in the Hanover County Retiree Medical Benefits Plan a multiple-employer defined benefit plan and related Trust to provide health insurance benefits to the employees and retired employees of the County and other participating employers including the Hanover County School Board, the Pamunkey Regional Library, and the Pamunkey Regional Jail Authority. The Hanover County Finance Board was established pursuant to Code §15.2-1547 is responsible for the oversight of the Hanover Retiree Medical Benefits Trust, established pursuant to Code §15.2-1544, which provides the authority under which benefit terms are established or may be amended. The Library's portion of the related Medical Trust OPEB asset, deferred outflows or resources and deferred inflows of resources related to the Medical Trust OPEB Plan, and Medical Trust OPEB expense have been measured and reported in accordance with GAAP as prepared by Hanover County's external actuary. Additionally, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources representing a consumption of net asset that applies to future periods and thus, will not be recognized as an outflow of resources until then. The Library has 5 five pension and OPEB related items that qualify for reporting in this category and they relate to pension and OPEB activity resulting from contributions made subsequent to the measurement date, the difference in projected and actual earnings on plan investments, the difference between expected and actual experience, change in proportion and

Note 1—Summary of significant accounting policies (concluded)

change in assumptions. Contributions made subsequent to the measurement date will be recognized as a reduction in the net liability in 2022. The difference between estimated and actual experience, changes in assumptions, and changes in proportion will be amortized over the average remaining service life of all participants with the exception of amounts related to investments, which will be amortized over a five year period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources representing an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources until that time. The Library has four types of deferred inflows of resources relating to pension and OPEB activity resulting from the difference between expected and actual experience, which will be amortized over the remaining service life of all participants with the exception of amounts related to investments, which will be amortized over a five year period.

Note 2—Stewardship, compliance, and accountability

The following procedures are used by the Library in establishing its budget:

1) The Director of the Library prepares the overall proposed annual operating budget, which includes local appropriations from each county.

2) The Board of the Library approves the proposed annual operating budget and authorizes all operating expenditures and appropriates funds through the adoption of the budget.

3) The budget for the General Fund is adopted on a basis consistent with GAAP.

Note 3—Regional library agreement among the Counties of Hanover, Goochland, King and Queen, and King William

Each county agrees that it will make a yearly appropriation of funds to the Library in at least the amount necessary to permit the Library to meet the minimum requirements for the Commonwealth of Virginia grants-in-aid. Appropriations are made in proportion to the population of each respective county.

Note 4—Pooled Cash, Cash Equivalents and Investments with Fiscal Agent

Hanover County acts as a fiscal agent for the Library. Accordingly, the Library follows the deposit and investment guidelines of the County. As of June 30, 2022, the Library's carrying value of deposits and investments as part of the County pooled cash and investments was $2,831,400.

All cash of the Library is maintained by the fiscal agent in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. seq. of the Code of Virginia "Code". Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the Federal Deposit Insurance Corporation must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon the choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Note 4—Pooled Cash, Cash Equivalents and Investments with Fiscal Agent (continued)

In accordance with Section 2.2-4500 of the "Code" and other applicable law and regulations, the County's investment policy (the "Policy") permits investments in obligations of the United States or agencies thereof; held directly, by collateralized repurchase agreement, or in mutual funds registered under the Investment Company.

Act of 1940, whose portfolios are restricted to U.S. and U.S. agency obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, certain corporate notes, bankers' acceptances, and repurchase agreements, savings accounts or time deposits in approved banks or savings institutions within the Commonwealth, and the State Treasurer's Local Government Investment Pool, a 2a-7 like pool.

The following table presents pooled cash, cash equivalents, and investments with fiscal agent at fair value on a recurring basis in accordance with GAAP at June 30, 2022

Assets:	Balance June 30, 2022	Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Cash and cash equivalents in pooled funds	$ 359,192	$ 359,192	$ -	$ -
Investments in pooled funds	814,690	440,971	373,719	-
Total	**1,173,882**	**$ 800,163**	**$ 373,719**	**$ -**
Cash equivalents and short-term investments measured at the amortized costs:				
Money Market Fund	112,120			
Certificates of Deposit	14,801			
LGIP	1,398,026			
LGIP EM	132,571			
Total	**$ 2,831,400**			

Interest Rate Risk –As a means of limiting exposure to fair value losses arising from interest rates, both the Library's pooled investment portfolio and the County manage maturity of fixed-income accounts to precede or coincide with the expected need of funds. The County's policy also limits the investment of operating funds to investments with a stated maturity of no more than five years from the date of purchase, except proceeds from the sale of bonds, which must be invested in compliance with the specific requirement of bond covenants, and may be invested in securities with longer maturities.

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1 to 3	More than 3
Pooled Investments:				
Cash deposits	$ 359,192	359,192	-	-
Demand and time deposits	14,801	14,801		-
Money market mutual funds	112,120	112,120	-	-
U.S. Government and agency bonds	668,794	1,983	666,811	-
Corporate notes and bonds	133,089	133,089		-
Commercial paper	12,807	12,807	-	-
LGIP Funds	1,530,597	1,530,597	-	-
Total pooled deposits and investments	$ 2,831,400	2,164,589	666,811	-

Note 4—Pooled Cash, Cash Equivalents and Investments with Fiscal Agent (concluded)

Credit Risk **–** As required by the State statute, the County's Policy requires that commercial paper have a short-term debt rating of no less than A-1 (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's and Fitch Ratings, and that its maturity may not exceed 270 days and the issuing corporation, or its guarantor must have a net worth of at least $50 million and the issuer's net income must average $3 million for the five previous years.

Corporate notes must have a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. The final maturity shall not exceed a period of 5 years from the time of purchase. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. Negotiable Certificates of Deposit and Bank Deposit Notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. The County's rated pooled debt investments as of June 30, 2022 were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization. Deposits and investments not exposed to credit quality risk, as defined by GAAP, are designated as not applicable (N/A) in the credit rating column, and those that are not rated are designated as N/R.

Concentration of Credit Risk - The County Policy establishes limitations on the pooled investment portfolio composition by issuer in order to control concentration of credit risk. No more than five percent of the pooled investment portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Treasury	100% maximum
LGIP	100% maximum
Money market mutual funds	100% maximum
Each Federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum

Custodial Credit Risk - Deposits: For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. The County's deposits at June 30, 2022 were fully insured under the Virginia Security for Public Deposits Act and are therefore not considered to be subject to custodial credit risk.

Custodial Credit Risk – Investments: For investments, custodial risk is the risk that, in the event of the failure of the counterparty, the reporting entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's policy requires that all investment securities purchased for the County be held by the County or by the County's designated custodian. If held by a custodian, the securities must be in the County's or the custodian's nominee name and identifiable on the custodian's books as belonging to the County and the custodian must be a third-party, not a counterparty to the investment transaction.

As of June 30, 2022, all of the County's pooled investments were held by the trust department of the County's custodial bank in the County's name.

Note 5—Capital Assets

Capital assets at June 30, 2022 were composed of the following amounts:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Vehicles	$ 83,807	$ -	$ -	$ 83,807
Furniture and fixtures	99,800	95,845	-	195,645
Equipment	105,423	65,449	-	170,872
Right to use Assets Equipment	-	34,478	-	34,478
Right to use Assets Buildings	-	454,380	-	454,380
Lease Holder Improvement	230,000	11,741	-	241,741
Total capital assets	519,030	661,893	-	1,180,923
Less accumulated depreciation for:				
Vehicles	(80,704)	(3,102)	-	(83,806)
Furniture and fixtures	(117,703)	(6,051)	17,903	(105,851)
Equipment	(12,885)	(44,749)	-	(57,634)
Right to use Assets Equipment	-	(10,029)	-	(10,029)
Right to use Assets Buildings	-	(51,285)	-	(51,285)
Lease Holder Improvement	-	(28,203)	-	(28,203)
Total accumulated depreciation	(211,292)	(143,419)	17,903	(336,808)
Total capital assets, net	$ 307,738	$ 518,474	$ 17,903	$ 844,115

Note 6—Compensated absences

The following is a summary of the compensated absences of the Library for the year ended June 30, 2022:

	Compensated absences
Balance at July 1, 2021	$ 225,062
Additions	202,246
Deletions	(179,126)
Balance at June 30, 2022*	$ 248,182

*Due within one year

Note 7—Donated administrative services and facilities

In addition to the yearly appropriation of funds described in Note 3, the Counties of Goochland, Hanover, and King and Queen and the Town of West Point provide certain branch libraries with free utility services, library space, and building improvements. Hanover County also provides certain free general government administrative and accounting services relating to payroll record keeping for the Library. The value of such contributions from the County amounted to $466,960 for the year ended June 30, 2022. The Counties of King and Queen and Goochland, and the Town of West Point, collectively contributed $57,531 for the year ended June 30, 2022.

Note 8—Defined benefit pension plan – Virginia Retirement System (VRS)

Pension Plan

Agent Multiple-Employer Plan - The Library employees participate in agent multiple-employer defined benefit pension plans administered by the VRS. The VRS requires periodic employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. The required employer contributions for Library employees are established annually by the VRS, by separate actuarial valuations specific to each group.

Detailed information about the VRS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Financial Report. A copy of the 2021 Annual Financial Report and GAAP Pension Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2021-annual-report.pdf , or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

VRS Plan Description

All full-time, salaried permanent employees of the Library are automatically covered by VRS upon employment. This plan is administered by the VRS along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and Library pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The VRS administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out as described below:

VRS Plan 1 and Plan 2

Overview: Plan 1 and Plan 2 are defined benefit plans. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula. Employees are eligible for and in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. Employees are eligible for and in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. VRS Plan 1 and Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

Contributions: Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service: Creditable Service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. The Board elected to provide the health insurance credit program as provided in Section 51.1-140-2 of the Code to all eligible

Note 8—Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

current and future Library retirees.

Vesting: Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan.

Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

Benefit Calculations: The Basic Benefit is calculated based on a formula using the member's average final compensation, service credit and plan multiplier. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

For Plan 1, a member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. The Plan 1 retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Under Plan 1, the normal retirement age is 65. The earliest unreduced retirement can occur at age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. The earliest reduced retirement can occur at age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

For Plan 2, a member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. The service retirement multiplier factor is the same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. Under Plan 2, the normal retirement age is consistent with the normal Social Security retirement age. The earliest unreduced retirement can occur at normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90. The earliest reduced retirement can occur at Age 60 with at least five years (60 months) of service credit.

Cost-of-Living Adjustment in Retirement: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the Cost-of-Living Adjustment ("COLA") will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Under Plan 1, the COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Under Plan 2, the COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Note 8—Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
• The member retires on disability.
• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% under Plan 1 and 1.65% under Plan 2 on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service: Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan.

Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

Hybrid Plan

Overview: The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan as noted:

• The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.
• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window held January 1-April 30, 2014.

Contributions: A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required

Note 8—Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service: Creditable Service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. The Board elected to provide the health insurance credit program as provided in Section 51.1-140-2 of the Code to all eligible current and future Library retirees.

Under the defined contribution component, credible service is used to determine vesting for the employer contribution portion of the plan.

Vesting: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service, as follows:

- After two years, a member is 50% vested and may withdraw 50% of employer c ontributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required, except as governed by law.

Benefit Calculations: The benefit calculations for the Hybrid Plan are as outlined in Plan 1 and 2, except the benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

The average final compensation is a member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. It is used in the retirement formula for the defined benefit component of the plan.

The service retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

The normal retirement age is consistent with the normal Social Security retirement age, with a provision that members are eligible to receive distributions upon leaving employment, subject to restrictions. The earliest member unreduced retirement can occur at normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90. Members may retire with a reduced benefit

Note 8— Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

as early as age 60 with at least five years (60 months) of service credit. The Cost-of-Living (COLA) in retirement terms are consistent with the provisions noted for Plan 2.

Disability Coverage: Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service: Considerations are the same as noted under Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Library Employees
Inactive members or their beneficiaries currently receiving benefits	18
Inactive members:	
Vested inactive members	3
Non-vested inactive members	6
Inactive members active elsewhere in VRS	9
Total inactive members	18
Active members:	28
Total covered employees	64

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The contractually required contribution rates for the Library in VRS for the fiscal year ended June 30, 2022, was 13.09% of their annual covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020.

Note 8— Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

This rate, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Library were $119,402 and $111,768 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Asset

The net pension asset is calculated separately for each employer and represents that particular employer's total pension liability determined, less that employer's fiduciary net position. At June 30, 2022, the Library reported a net pension asset of $644,203. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2020, using the updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

The total pension liability was measured as of June 30, 2020 for Library employees, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

	Library Employees
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation *
Mortality Rates	15 % of deaths are assumed to be service related
Pre-Retirement	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males 95% of rates and females 105% of rates set
Post-Retirement	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 2 years
Post-Disablement	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

The actuarial assumptions used in the June 30, 2020 valuation was based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Note 8— Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

Library Employees
Update mortality rates to PUB2010 public sector mortality tables
For future mortality improvements, replaced load with a modified Mortality Improvement Scale MP-2020
Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid change final retirement age
Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service
No change in disability rates, salary scale, line of duty disability, or discount rate

Long-Term Expected Rate of Return

The long-term expected rate of return on the pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
	100.00%		4.89%
		Inflation	2.50%
		*Expected arithmetic normal return	7.39%

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at this time, providing a median return of 7.11%, including expected inflation of 2.50%.

Note 8— Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	$ 5,488,695	$ 4,946,301	$ 542,394
Changes for the year:			
Service cost	119,522	-	119,522
Interest	361,011	-	361,011
Changes of assumptions	224,821	-	224,821
Differences between expected and actual experience	(370,705)	-	(370,705)
Contributions - employer	-	111,768	(111,768)
Contributions - employee	-	65,277	(65,277)
Net investment income	-	1,347,435	(1,347,435)
Benefit payments, including refunds of employee contributions	(280,758)	(280,758)	-
Administrative expenses	-	(3,361)	3,361
Other changes	-	127	(127)
Net changes	53,891	1,240,488	(1,186,597)
Balances at June 30, 2021	$ 5,542,586	$ 6,186,789	$ (644,203)

Note 8— Defined benefit pension plan – Virginia Retirement System (VRS) (continued)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension liability for the Library using the discount rate of 6.75%, as well as what their net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Discount Rate	1 % Increase (7.75%)
Library Employees			
Net Pension Asset	$ (6,059)	$ (644,203)	$ (1,179,373)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2022, the Library recognized pension expense of $103,320. At June 30, 2021, the Library reported a deferred outflows of resources and a deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 27,640	$ 252,646
Changes of assumptions	153,222	-
Net difference between projected and actual earnings on pension plan investments	-	668,367
Employer contributions subsequent to the measurement date	119,462	-
Total	$ 300,324	$ 921,013

$119,462 reported as deferred outflow of resources related to pensions resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ending June 30, 2022. Other amount reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Note 8— Defined benefit pension plan – Virginia Retirement System (VRS) (concluded)

Year ended June 30		
2023	$	(175,689)
2024		(198,826)
2025		(162,203)
2026		(203,433)
Total	$	(740,151)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report. A copy of the 2021 VRS Comprehensive Annual Financial Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 9—County Retiree Medical Benefits Plan

The Library provides for optional participation by eligible retirees and their eligible spouses and dependents in the medical and prescription drug healthcare benefit program available to employees. The County has established the County Retiree Medical Benefits Plan (the "Plan"), an agent multiple-employer defined benefit healthcare plan, and the Retiree Medical Benefits Trust Agreement ("Trust"), which are administered as one plan for the County and its affiliates (collectively, Employers). The Library accounts for and reports its participation in the Plan by applying the requirements for a cost-sharing multiple-employer plan. The Plan covers eligible retirees of the Library. The Trust provides the funding mechanism for the postemployment healthcare benefits established by the Plan. The "Code" assigns the authority to administer the Plan, and to establish and amend the benefit provisions of the Plan, to the Hanover County Board of Supervisors (the "Board"). The Plan provides for biennial reviews of benefit provisions based on actuarial analysis, but does not require any automatic or ad hoc benefit increases, although the Board may amend or terminate the Plan at any time. The Trust's accumulated assets may legally be used to pay all plan benefits provided to any of the plan's members or beneficiaries.

The Trust is considered part of the County's financial reporting entity and is included in County's financial statements as an Other Postemployment Benefits Trust Fund. The Library is required to make periodic contributions to fund its share of the plan based on periodic actuarial analysis of its future obligations. A copy of Hanover County's FY2021 Annual Comprehensive Financial Report may be downloaded from the following website, https://www.hanovercounty.gov/283/Comprehensive-Annual-Financial-Report.

The Plan provides that the employers will provide certain subsidies toward the cost of the health benefit coverage of eligible retirees, spouses and dependents. In order to participate in the Plan, retirees must be enrolled in the health insurance program available to Library employees at date of separation. In addition, participants must meet the VRS retirement age and service retirement requirements and, if hired after September 30, 2007, must have five years of service with an Employer, or retire pursuant to the disability requirements of Social Security or the VRS. The amount of monthly subsidy provided by the Plan is based on years of service and, as of June 30, 2015, ranged from $100 per month for employees with 10 but less than 15 years of service to $200 per month for 20 or more years of service. The subsidy for a retiree's spouse and dependents is equal to that of the retiree, with a limit of three subsidies per retiree. Effective for those who retire July 1, 2015 or later, there shall not be a subsidy for their spouses or dependents. Retirees hired prior to October 1, 2007 have no years of service requirement, but must meet all other requirements for participation. In addition, retirees hired prior to October 1, 2007 who have at least 10 years of service with an Employer, and whose age and years of service equal at least 60 (grandfathered employees), will receive an initial subsidy of $251 per month. For employees retiring after September 30, 2008, subsidies will end with Medicare eligibility. Any plan participants currently in the Plan over age 65 must be enrolled in Medicare as primary insurer effective July 1, 2015. Additionally, any grandfathered retirees who are not yet age 65 must enroll in Medicare as primary insurer once they have met the Medicare eligibility requirements.

Retirees under the Plan may select from the health care plans offered to active employees and pay the health insurance premium rate established annually based on biennial actuarial analysis of the claims cost of the retiree group, net of the applicable subsidy established by the Plan. Depending upon the health care plan selected, the net retiree premium amounts range from $471 to $1,272 per month for those electing retiree-only coverage, and from $1,333 to $3815 per month for family coverage. Cost of administering the Plan will be borne by the Trust or by the Employers.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, (e.g. include assumptions about future employment, mortality, and the healthcare cost trend). Amounts determined regarding the funded status of the plan and the

Note 9—County Retiree Medical Benefits Plan (continued)

annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2021 actuarial valuation, the Entry-Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 6.5%annualinvestmentrate of return (net of administrative expenses) and a payroll increase assumption of 2.50%. The liability is being amortized as a level percentage of projected payroll on a closed basis over sixteen years. Mortality rates were based on the RP-2000 Fully Generational Combined Table. The assumed inflation rate is 2.5%. The long-term expected rate of return of OPEB plan investments net of inflation is 4.90% on Equities (including US and International),2.40% on Core Fixed, 3.30% on Investment Grade Corporate Debt, 4.00% on Emerging Market Debt, and 3.90% on High Yield Investments.

The discount rate used to measure the total OPEB liability was 6.5%. This is the expected rate of return on trust assets. During its February 2020 meeting, the OPEB Trust Board established this 6.5% rate (not adjusted for inflation) as the long-term target rate for the Plan over a rolling five year period. Previously the discount rate was 7.0%, unchanged since the Plan's inception. The OPEB Trust Board reviews annual feasibility studies performed by the Plan's investment consultant to consider the ongoing appropriateness of the target rate and whether a change should be considered. No changes were made to the 6.5% rate in the year ended June 30, 2022.

Contributions - The Plan is funded through member and employer contributions. Retirees receiving benefits contribute a minimum of 76.1% of the health insurance premium rate for retiree only, retiree + one minor child, retiree and spouse, retiree + children, and family coverage, respectively. The actual contribution within each range depends on the health plan selected by the retiree. During the current year, retired Library members contributed $8,231 of the total premiums through their required contributions.

The Library contributed $0 in contributions to the Self Insurance Plan for the year ended June 30, 2022. These contributions equate to 0.48% of the Library's proportionate share in the Plan. It is the intent of the Library to fully fund the Actuarially Determined Contributions each year.

As Plan funding is used subsidize premium rates, the OPEB Plan liability is not affected by changes in the Long-Term Medical trends.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the Library at June 30, 2021, using the discount rate of 6.5%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is 1% point lower (5.5%) or 1% point higher (7.5%) than the current rate:

Note 9— County Retiree Medical Benefits Plan (continued)

	1% Decrease (5.50%)	Discount Rate (6.50%)	1 % Increase (7.50%)
Library Employees			
Net OPEB Asset	$ 12,534	$ 13,761	$ 14,912

Net Postemployment Healthcare Plan and Other Postemployment Benefits (OPEB) Asset

At June 30, 2022, the Library reported a net OPEB asset of $13,761. The net OPEB asset was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation performed as of July 1, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Changes in Net OPEB Asset

The related change in the Net OPEB Asset for the Library for the measurement date of June 30, 2021 are outlined as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) (a) - (b)
Balances at June 30, 2021	$ 25,083	$ 25,957	$ (874)
Changes for the year:			
Service cost	1,296	-	1,296
Interest	1,603	-	1,603
Changes in benefit terms	(6,503)	-	(6,503)
Experience gains	(834)	-	(834)
Changes in proportionate share	556	577	(21)
Net investment income	-	8,428	(8,428)
Benefit payments	(1,131)	(1,131)	-
Net changes	(5,013)	7,874	(12,887)
Balances at June 30, 2022	$ 20,070	$ 33,831	$ (13,761)

Note 9—OPEB Plan (concluded)

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Library recognized OPEB expense for its retiree medical plan of $7,236. At June 30, 2022, the Library reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1	$ 2,295
Net difference between projected and actual earnings on pension plan investments	-	5,683
Changes in assumptions	361	-
Change in proportion	362	-
Total	$ 724	$ 7,978

The differences between expected and actual experience and net difference between projected and actual earnings on OPEB plan investments will be recognized in OPEB expense as follows:

Year ending June 30	
2023	$ (1,784)
2024	(1,729)
2025	(1,584)
2026	(1,605)
2027	(236)
Thereafter	(316)
Total	$ (7,254)

Note 10—Health Insurance Credit program – VRS

The Library participates in the Political Subdivision Health Insurance Credit (HIC) Program as an agent multiple-employer plan.

Plan Description

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This plan is administered by VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Eligible Employees

The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.

Eligible employees of participating localities are enrolled automatically upon employment. They include Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts

The Library's Retiree HIC Program provides the following benefits for eligible employees:

- At Retirement – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month.
- Disability Retirement – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for premiums paid for other qualified health plans. And employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

Note 10—Health Insurance Credit program – VRS (continued)

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Library Employees
Inactive members or their beneficiaries currently receiving benefits	5
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	5
Active members:	28
Total covered employees	33

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the Code, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Library's contractually required employer contribution rate for the year ended June 30, 2022 was 0.23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Library to the Political Subdivision HIC Program were $4,606 for the year ended June 30, 2022.

Net HIC OPEB liability

The Library's net HIC OPEB liability was measured as of June 30, 2021. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Note 10—Health Insurance Credit program - VRS (continued)

	Library Employees
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Mortality Rates	15 % of deaths are assumed to be service related
Pre-Retirement	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males 95% of rates and females 105% of rates set forward
Post-Retirement	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 2 years
Post-Disablement	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Library Employees
Update mortality rates to PUB2010 public sector mortality tables
For future mortality improvements, replaced load with a modified Mortality Improvement Scale MP-2020
Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid change final retirement age
Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service
No change in disability rates, salary scale, line of duty disability, or discount rate

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Note 10—Health Insurance Credit program – VRS (continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
	100.00%		4.89%
		Inflation	2.50%
		*Expected arithmetic normal return	7.39%

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10,2019, the VRS Board elected a long-term rate of 6.75%, which is roughly the 40th percentile of expected long-term results of the VRS fund asset allocation at the time, providing the median return of 7.11%, including the expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Note 10—Health Insurance Credit program – VRS (continued)

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	$ 40,969	$ 10,149	$ 30,820
Changes for the year:			
Service cost	1,202	-	1,202
Interest	2,686	-	2,686
Changes of assumptions	456	-	456
Difference between expected and actual experience	(3,489)	-	(3,489)
Contributions - employer	-	4,308	(4,308)
Net investment income	-	2,922	(2,922)
Benefit payments, including refunds of employee contributions	(2,365)	(2,365)	-
Administrative expenses	-	(40)	40
Net changes	(1,510)	4,825	(6,335)
Balances at June 30, 2021	$ 39,459	$ 14,974	$ 24,485

Sensitivity of the HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Political Subdivision HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Political subdivision's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1 % Increase (7.75%)
Library Employees			
Net HIC OPEB Liability	$ 28,924	$ 24,485	$ 20,713

Note 10—Health Insurance Credit program - Virginia Retirement System (concluded)

HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB

For the year ended June 30, 2022, the Library recognized HIC Program OPEB expense $2,328. At June 30, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,996	$ 3,891
Net difference between projected and actual earnings on pension plan investments	-	1,451
Change in assumptions	815	273
Employer contributions subsequent to the measurement date	4,606	-
Total	$ 7,417	$ 5,615

$4,606 reported as deferred outflows of resources related to the HIC OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year ending June 30	
2023	$ (812)
2024	(693)
2025	(218)
2026	(528)
2027	(496)
Thereafter	(57)
Total	$ (2,804)

Health Insurance Credit Program Plan Data

Detailed information about the HIC Program's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 11—Group Life Insurance Program - VRS

The Library participates in the VRS Group Life Insurance (GLI) Program, cost-sharing multiple employer plans, for both its professional and non-professional employees.

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by VRS, along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

<u>Eligibility:</u> The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.

Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

<u>Benefit Amounts:</u> The benefits payable under GLI Program have several components.

- Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit – The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
- Accidental dismemberment benefit
- Safety belt benefit
- Repatriation benefit
- Felonious assault benefit
- Accelerated death benefit option

<u>Reduction in benefit Amounts:</u> The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

<u>Minimum Benefit Amount and Cost-of-Living Adjustment:</u> For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan2cost-of-livingadjustment calculation. The minimum benefit adjusted for the COLA was $8,722 as of June 30, 2022.

Note 11—Group Life Insurance Program – VRS (continued)

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the Library were $8,231 for the year ended June 30, 2022.

GLI OPEB Liabilities

At June 30, 2022, the Library reported a liability of $80,684 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Library's proportion was 0.00693% as compared to 0.00585% at June 30, 2020.

GLI OPEB Expense

For the year ended June 30, 2022, the Library recognized GLI OPEB expense of $7,270. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Note 11—Group Life Insurance Program – VRS (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 9,202	$ 615
Net difference between projected and actual earnings on GLI OPEB investments	-	19,258
Changes of assumptions	4,448	11,039
Change in proportion	17,580	2,835
Employer contributions subsequent to the measurement date	8,231	-
Total	$ 39,461	$ 33,747

$8,231 reported as deferred outflows of resources related to the GLI OPEB resulting from the School Board non-professional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ending June 30	
2023	$ 37
2024	313
2025	(841)
2026	(3,545)
2027	1,519
Total	$ (2,517)

Note 11—Group Life Insurance Program – VRS (continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

	Library Employees
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Mortality Rates	15 % of deaths are assumed to be service related
Pre-Retirement	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males 95% of rates and females 105% of rates set forward
Post-Retirement	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 2 years
Post-Disablement	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Library Employees
Update mortality rates to PUB2010 public sector mortality tables
For future mortality improvements, replaced load with a modified Mortality Improvement Scale MP-2020
Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid change final retirement age
Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service
No change in disability rates, salary scale, line of duty disability, or discount rate

Note 11—Group Life Insurance Program - VRS (continued)

Net GLI OPEB Liability

The Net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$3,577,346
Plan Fiduciary Net Position	2,413,074
Employers' Net GLI OPEB Liability	$1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GAAP in VRS's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
	100.00%		4.89%
		Inflation	2.50%
		*Expected arithmetic normal return	7.39%

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October10, 2019, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%

Note 11—Group Life Insurance Program – VRS (concluded)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the Library's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1 % Increase (7.75%)
Library Employees			
Net GLI OPEB Liability	$ 117,882	$ 80,684	$ 50,645

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12—Lease Commitments and Contingent Liabilities

Lease Obligations: The Library leases assets from a number of vendors, including leases for office space and equipment. The lease durations range from three to five years. Amounts are paid on a monthly basis with no variable components notes. Additionally, there are no residual terms or guarantees. The leased assets are presented as right-to-use assets on the Statement of Net Position and in the footnote 3 for Capital Assets and the lease obligations are outlined below. As stated rates were unavailable in the lease agreements, the discount rate used to determine the liability amount was the Library's incremental borrowing rate of 3.25%.

The principal and interest to maturity on these obligations at June 30, 2022 are as follows:

Year ending June 30,	Principal	Interest	Total Payments
2023	$ 108,047	$ 4,891	$ 112,938
2024	110,810	5,017	115,827
2025	113,657	5,146	118,803
2026	105,230	4,765	109,995
2027	29,940	1,356	31,296
	$ 467,684	$ 21,175	$ 488,859

Contingent Liabilities - Certain expenses of grant funding are subject to audit by the grantor, and the Library is contingently liable to refund amounts received in excess of allowable expenses. In the opinion of the management of the Library, no material refunds will be required as a result of expenditures disallowed by the grantors.

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

PAMUNKEY REGIONAL LIBRARY

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (UNAUDITED)

YEAR ENDED JUNE 30, 2022

	Budgeted amounts			Variance with final positive (negative)
	Original	Final	Actual	
Revenues:				
Fines, penalties and fees	$ 25,000	$ 25,000	$ 35,492	$ 10,492
Operating contributions:				
From local governments	4,024,225	4,024,225	4,032,007	7,782
Donated administrative services and facilities	—	—	524,491	524,491
Federal aid	—	240,677	—	(240,677)
State aid	572,194	572,194	572,194	—
Miscellaneous	104,000	54,000	33,437	(20,563)
Total revenues	4,725,419	4,916,096	5,197,621	281,525
Expenditures:				
Library services:				
Personnel related	3,488,717	3,438,717	3,215,061	223,656
Books, periodicals and other related materials	666,155	686,155	733,565	(47,410)
Donated administrative services and facilities	—	—	524,491	(524,491)
Utility	215,900	216,900	226,528	(9,628)
Rent	162,400	151,400	136,111	15,289
Miscellaneous	416,000	631,677	579,693	51,984
Total expenditures	4,949,172	5,124,849	5,415,449	(290,600)
Net change in fund balance	(223,753)	(208,753)	(217,828)	(9,075)
Fund balance – beginning	2,792,207	2,792,207	2,780,198	(12,009)
Fund balance – ending	$ 2,568,454	$ 2,583,454	$ 2,562,370	$ (21,084)

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)

JUNE 30, 2022

	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015**
Total pension liability								
Service cost	$ 119,522	$ 117,410	$ 107,250	$ 119,739	$ 113,345	$ 114,279	$ 133,615	$ 124,981
Interest	361,011	345,659	337,322	344,765	327,679	281,576	271,337	239,812
Changes of assumptions	224,821	-	135,684	-	15,875	-	-	-
Differences between expected and actual experience	(370,705)	82,372	29,275	(328,206)	(81,306)	390,782	(56,250)	-
Benefit Payments, including refunds of employee contributions	(280,758)	(355,238)	(259,846)	(225,418)	(37,592)	(218,452)	(120,639)	(101,928)
Other changes	-	-	-	-	-	-	163,969	-
Net change in total pension liability	53,891	190,203	349,685	(89,120)	338,001	568,185	392,032	262,865
Total pension liability - beginning	5,488,695	5,298,492	4,948,807	5,037,927	4,699,926	4,131,741	3,739,709	3,476,844
Total pension liability - ending (a)	$ 5,542,586	$ 5,488,695	$ 5,298,492	$ 4,948,807	$ 5,037,927	$ 4,699,926	$ 4,131,741	$ 3,739,709
Plan fiduciary net position								
Contributions - employer	$ 111,768	$ 76,908	$ 76,720	$ 121,371	$ 110,831	$ 99,771	$ 113,256	$ 115,441
Contributions - employee	65,277	55,570	53,490	56,160	51,205	47,326	54,205	49,626
Net investment income	1,347,435	96,339	322,143	339,889	383,253	86,221	164,581	457,979
Benefit Payments, including refunds of employee contributions	(280,758)	(355,238)	(259,846)	(225,418)	(37,592)	(218,452)	(120,639)	(101,928)
Administrative expense	(3,361)	(3,426)	(3,259)	(2,916)	(1,822)	244	(2,167)	(2,392)
Other	127	(112)	(203)	(303)	(449)	(14)	484,035	24
Net change in plan fiduciary net position	1,240,488	(129,959)	189,045	288,783	505,426	15,096	693,271	518,750
Plan fiduciary net position - beginning	4,946,301	5,076,260	4,887,215	4,598,432	4,093,006	4,077,910	3,384,639	2,865,889
Plan fiduciary net position - ending (b)	$ 6,186,789	$ 4,946,301	$ 5,076,260	$ 4,887,215	$ 4,598,432	$ 4,093,006	$ 4,077,910	$ 3,384,639
Net pension liability (asset) ending (a) - (b)	$ (644,203)	$ 542,394	$ 222,232	$ 61,592	439,495	606,920	53,831	355,070
Plan fiduciary net position as a percentage of the total Pension liability	111.62%	90.12%	95.81%	98.76%	91.28%	87.09%	98.70%	90.51%
Covered-employee payroll	$ 1,431,908	$ 1,204,366	$ 1,144,314	$ 1,175,436	1,068,959	978,129	1,048,018	1,092,211
Net pension liability(asset) as a percentage of covered-employee payroll	-44.99%	45.04%	19.42%	5.24%	41.11%	62.05%	5.14%	32.51%

Schedule is intended to show information for 10 years. Since 2015 is the first year for presentation, no other data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

** For the fiscal year ended June 30, 2015, the Library VRS Plan was considered a cost-sharing employer in the Hanover County Plan. During the year, the Library's proportionate share of net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense were allocated based on plan contributions, approximately 1.79% for the year ended June 30, 2014.

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION (UNAUDITED)

JUNE 30, 2022

Date *	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2022	$ 119,462	$ 119,462	$ -	$ 1,535,555	7.78%
2021	111,768	111,768	-	1,431,908	6.39%
2020	76,908	76,908	-	1,204,366	6.39%
2019	76,720	76,720	-	1,144,314	6.70%
2018	121,371	121,371	-	1,175,436	10.33%
2017	110,831	110,831	-	1,068,959	10.37%
2016	99,771	99,771	-	978,129	10.20%
2015	113,256	113,256	-	1,048,018	10.81%

** Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.*

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF CHANGES IN THE NET OPEB ASSEST AND RELATED RATIOS (UNAUDITED)

JUNE 30, 2022

As of June 30 of the Measurement Year	**2022***	**2021***	**2020***	**2019***	**2018***
County Medcial Retiree Trust					
Total OPEB liability					
Service cost	$ 1,296	$ 805	$ 794	$ 827	774
Interest cost	1,603	1,131	1,200	1,155	1,108
Changes in benefit terms	(6,503)				
Experience (gains)	(834)	(1,965)	2	(152)	-
Changes in assumptions	-	8,305	600	-	-
Change in proportionate share	556	(1,163)	-	(34)	-
Benefit payments	(1,131)	(1,216)	(1,097)	(1,298)	(1,049)
Net change in total OPEB liability	(5,013)	5,897	1,499	498	833
Total OPEB liability - beginning	25,083	19,186	17,687	17,189	16,356
Total OPEB liability - ending (a)	$ 20,070	$ 25,083	$ 19,186	$ 17,687	$ 17,189
Total fiduciary net position					
Contributions - employer	$ -	$ 36	$ 96	$ 201	1,049
Change in proportionate share	577	(1,652)	-	(50)	-
Net investment income	8,428	1,533	2,526	1,987	2,413
Benefit payments	(1,131)	(1,216)	(1,097)	(1,298)	(1,049)
Net change in plan fiduciary net position	7,874	(1,299)	1,525	840	2,413
Plan fiduciary net position - beginning	25,957	27,256	25,731	24,891	22,478
Plan fiduciary net position - ending (b)	$ 33,831	$ 25,957	$ 27,256	$ 25,731	$ 24,891
Net OPEB pension asset ending (b) - (a)	$ 13,761	$ 874	$ 8,070	$ 8,044	7,702
Plan fiduciary net position as a percentage of the total OPEB asset	168.57%	103.48%	142.06%	145.48%	144.81%
Covered payroll	$ 1,431,908	$ 1,304,377	$ 1,291,251	$ 1,175,436	1,068,959
Net OPEB asset as a percentage of covered payroll	-0.96%	-0.07%	-0.62%	-0.68%	-0.72%
Contributions as a percentage of covered payroll	0.00%	0.00%	0.01%	0.02%	0.10%

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB (UNAUDITED)

JUNE 30, 2022

Date *	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Medical Retiree Trust					
2022	$ -	$ -	$ -	$ 1,535,555	0.00%
2021	-	36	-	1,431,908	0.00%
2020	-	38	-	1,304,377	0.00%
2019	-	96	-	1,291,251	0.01%
2018	-	201	-	1,175,436	0.02%
VRS - Health Insurance Credit					
2022	$ 4,606	$ 4,606	-	$ 1,535,555	0.30%
2021	4,308	4,308	-	1,431,908	0.30%
2020	3,372	3,372	-	1,304,377	0.26%
2019	3,205	3,205	-	1,291,251	0.25%
2018	3,177	3,177	-	1,175,436	0.27%
VRS - Group Life Insurance					
2022	$ 8,231	$ 8,231	$ -	$ 1,535,555	0.54%
2021	7,698	7,698		1,431,908	0.54%
2020	6,312	6,312	-	1,304,377	0.48%
2019	6,009	6,009	-	1,291,251	0.47%
2018	6,165	6,165	-	1,175,436	0.52%

** Schedule is intended to show information for 10 years. 2018 is the first fiscal year for this presentation; additional years will be included as they become available.*

Additionally, note that the Group Life Insurance contribution prior year presentation has been revised to reflect only the employer portion of the contribution.

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY HEALTH INSURANCE CREDIT PROGRAM (UNAUDITED)

JUNE 30, 2022

	2022*	2021*	2020*	2019*	2018*
Total pension liability					
Service cost	1,202	1,128	1,132	1,229	1,369
Interest on total HIC OPEB liability	2,686	2,440	2,349	2,413	2,292
Changes of assumptions	456	-	920	-	(1,223)
Difference between expected and actual experience	(3,489)	2,646	527	(2,953)	-
Benefit payments	(2,365)	(2,786)	(1,890)	(1,313)	(128)
Net change in total pension liability	(1,510)	3,428	3,038	(624)	2,310
Total OPEB liability - beginning	40,969	37,541	34,503	35,127	32,817
Total OPEB liability - ending (a)	39,459	40,969	37,541	34,503	35,127
Total fiduciary net position					
Contributions - employer	4,308	3,372	3,205	3,177	2,887
Net investment income	2,922	197	546	426	424
Benefit Payments, including refunds of employee contributions	(2,365)	(2,786)	(1,890)	(1,313)	(128)
Administrative expense	(40)	(20)	(13)	(12)	(11)
Other	-	-	(1)	(10)	10
Net change in plan fiduciary net position	4,825	763	1,847	2,268	3,182
Plan fiduciary net position - beginning	10,149	9,386	7,539	5,271	2,089
Plan fiduciary net position - ending (b)	14,974	10,149	9,386	7,539	5,271
Net OPEB liability ending (a) - (b)	$ 24,485	$ 30,820	$ 28,155	$ 26,964	29,856
Plan fiduciary net position as a percentage of the total OPEB liability	37.95%	24.77%	25.00%	21.85%	15.01%
Covered payroll	$ 1,431,908	$ 1,304,377	$ 1,291,251	$ 1,175,436	1,068,959
Political subdivision's net OPEB liability as a percentage of covered payroll	1.71%	2.36%	2.18%	2.29%	2.79%

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF EMPLOYER'S SHARE OF THE NET OPEB LIABILITY GROUP LIFE INSURANCE PROGRAM (UNAUDITED)

JUNE 30, 2022

Library's share	**2022***	**2021***	**2020***	**2019***	**2018***
Library's Proportion of the Net GLI OPEB Liability	0.00693%	0.00585%	0.00585%	0.00619%	0.00580%
Library's Proportionate Share of the Net GLI OPEB Liability	80,684	97,627	95,195	94,000	88,000
Covered Payroll	1,431,908	1,304,377	1,291,251	1,175,436	1,068,959
Library's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	5.635%	7.485%	7.372%	7.997%	8.232%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%	52.67%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

VRS Pension, Health Insurance Credit, and Group Life Insurance Program

Changes of benefit terms**:** For the Pension valuation and disclosures, there have been no material changes to the System benefit provisions since the prior actuarial valuation. Additionally, for the Health Insurance Credit and Group Life Insurance Program, there have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

Changes of assumptions**:** The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Library Employees
Update mortality rates to PUB2010 public sector mortality tables
For future mortality improvements, replaced load with a modified Mortality Improvement Scale MP-2020
Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid change final retirement age
Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service
No change in disability rates, salary scale, line of duty disability, or discount rate

SUPPLEMENTAL INFORMATION

PAMUNKEY REGIONAL LIBRARY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GENERAL FUND

YEAR ENDED JUNE 30, 2022

Revenues:		
County of Hanover	$	2,941,000
County of Goochland		465,493
County of King William		444,597
County of King and Queen		180,917
State Aid grants		572,194
Fines, penalties and fees		35,492
Other revenues		49,307
Donated administrative services and facilities		524,491
Expenditure refund		20,275
Interest income		(36,145)
Total revenues		5,197,621
Expenditures:		
Professional staff salaries		975,283
Other staff salaries		1,552,905
Personnel related expense		686,873
Books and periodicals		733,565
Donated administrative services and facilities		524,491
Utilities		141,724
Telephone		84,804
Rent		136,111
Supplies		66,515
Library equipment		319,519
Equipment rental and repair		17,956
Professional fees		140,465
Insurance		16,468
Bookmobile and van expenses		14,555
Continuing education		4,215
Total expenditures		5,415,449
Revenues under expenditures		(217,828)
Fund balance, beginning of year		2,780,198
Fund balance, end of year	$	2,562,370

COMPLIANCE SECTION

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

To the Board of Trustees
Pamunkey Regional Library
Hanover, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* ("Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and General Fund of the Pamunkey Regional Library (the "Library"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated December 11, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2022-02, 2022-03, and 2022-04 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and one (1) instance of noncompliance (2022-001 in the Schedule of Finding and Response) that is required to be reported under the Specifications.

Library's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Library's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Library's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Richmond, Virginia
December 11, 2023

Schedule of Finding and Response

Finding Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2022-001 – Conflict of Interest

Criteria: Section 2.2-3115 of the Code of Virginia (the "Code") requires members of local boards, commissions, and councils, and employees meeting defined criteria to, upon assuming office and annually thereafter, file financial disclosure documents. In accordance with the requirements set forth in Section 2.2-3118.2 of the Code, such disclosure shall be filed as a condition prior to assuming office or employment and, thereafter, shall be filed annually with the clerk of the governing body of such county on or before February 1.

Condition: Of the nine (9) officials tested who filed a completed disclosure package, we noted two (2) officials who took office during fiscal year 2022 and did not file a completed disclosure package before taking office.

Cause: A completed disclosure package was not filed before taking office.

Effect: The Library is not in compliance with Section 2.2-3115 of the Code and non-compliance may result in action by the Commonwealth.

Recommendation: Local government officials and employees should file a complete disclosure package in accordance with Section 2.2-3118.2 of the Code.

Views of Responsible Officials and Planned Corrective Actions:

The Library is committed to obtaining and filing timely and accurate disclosure forms. Officials receive multiple notifications of filing deadlines, and the Library will continue to reiterate and monitor the deadlines and requirements stipulated in the Code.

Material Weaknesses in Internal Control

2022-002 – Capital Asset Identification

Criteria: An effective system of internal control contemplates that management is able to close its accounting records and compile financial reports in a timely manner that comply with accounting principles generally accepted in the United States of America ("GAAP"), as promulgated by the Governmental Accounting Standards Board ("GASB").

Condition: Management did not identify groups of capital expenditures that should have been capitalized as assets rather than expensed.

Cause: When considering the Library's capitalization policy, items were considered on a individual, per unit basis and not viewed as groups of assets purchased.

Effect: A material audit adjustment was required to correct an understatement of capital assets of $161,294 and an overstatement of expense of the same amount. Additionally, an adjust adjustment was required to record the related depreciation expense and accumulated depreciation of $13,633.

Recommendation: As part of the year-end financial close process, management should evaluate all capital purchases that were expended due to the threshold policy and determine if such are material when taken as a whole. If such purchases are material in the aggregate, purchases should be capitalized.

Views of Responsible Officials and Planned Corrective Actions:

The Library is committed to compliance with GAAP and appropriately reporting capital assets and related depreciation in the financial statements. The Library capitalizes individual asset purchases above the dollar threshold per the Financial Policies and will improve its year-end processes to include the evaluation of significant aggregated purchases for capitalization.

2022-003 – Implementation of New Accounting Pronouncements

Criteria: An effective system of internal control contemplates that management is able to close its accounting records and compile financial reports in a timely manner that comply with GAAP, as promulgated by the GASB. This includes the implementation of accounting pronouncements. GASB Statement Number 87, *Leases*, was effective as of the first day of the fiscal year 2022. That guidance required the reporting of long-term lease obligations and capitalizing the right-of-use assets of others.

Condition: The Library did not accurately record and present right-of-use assets and lease liabilities in accordance with GASB 87. Additionally, the required notes to the financial statements related to leases were not sufficient to comply with the requirements of GASB 87. After incorporating auditor feedback, the lease liabilities as reported is still overstated by $54,010 and is reflected as a passed audit adjustment.

Cause: Management does not include an individual with sufficient expertise to oversee the implementation of new accounting pronouncements.

Effect: The lack of proper oversight over the financial reporting process could result in material misstatement of the financial statements.

Recommendation: Management should design and implement a process by which someone with sufficient understanding of GASB reporting requirements review financial statements prior to their delivery to the auditor.

Views of Responsible Officials and Planned Corrective Actions:

The Library is committed to producing financial reports in a timely manner that comply with GASB reporting requirements. The Library recently acquired lease accounting software to aid in the tracking and reporting of its leases for GASB 87 purposes. This software captures subscription-based information technology arrangements as well, which assist in the implementation of GASB 96 for the fiscal year ending June 30, 2023. Additionally, the Library is committed to providing training opportunities so that staff are familiar with upcoming changes in financial reporting.

2022-004 – Financial Report Drafting

Criteria: An effective system of internal control contemplates that management is able to close its accounting records and compile financial reports in a timely manner that comply with GAAP, as promulgated by the GASB.

Condition: The library was unable to produce quality financial statements, in accordance with GAAP within a timely manner. The Library's first draft of the financial statements included many inconsistencies with financial records, and variances from GAAP and the adjustment process to correct resulted in frequent delays.

Cause: Management does not include an individual with sufficient expertise to oversee the financial reporting process.

Effect: The statements remained unissued more than 14 months after the fiscal year end under audit.

Recommendation: Management should design and implement a process by which someone with sufficient understanding of GASB reporting requirements review financial statements prior to their delivery to the auditor.

The Library is committed to producing financial reports in a timely manner that comply with GASB reporting requirements. The Library recently acquired lease accounting software to aid in the tracking and reporting of its leases for GASB 87 purposes. This software captures subscription-based information technology arrangements as well, which assist in the implementation of GASB 96 for the fiscal year ending June 30, 2023. Additionally, the Library is committed to providing training opportunities so that staff are familiar with upcoming changes in financial reporting.